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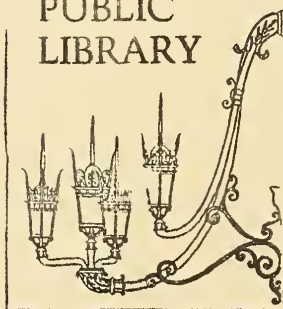
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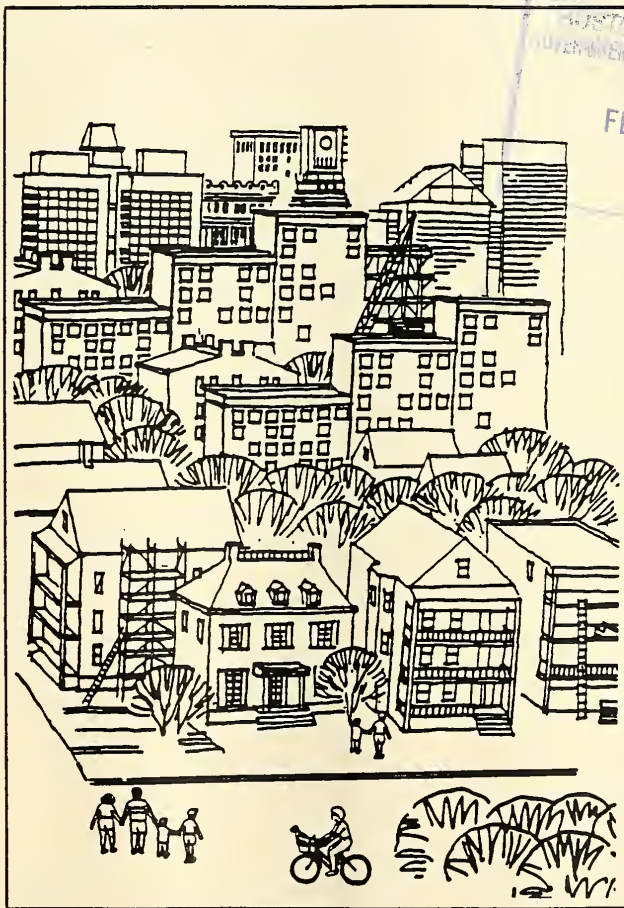
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A HOUSING AGENDA FOR AMERICA

A FEDERAL-CITY PARTNERSHIP



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CITY OF BOSTON · RAYMOND L. FLYNN, MAYOR

JUNE 1987



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
RAYMOND L. FLYNN

June 15, 1987

THE NEED FOR A NATIONAL HOUSING PARTNERSHIP PROGRAM

Dear Fellow Mayors:

I am pleased to present A Housing Agenda for America: A Federal-City Partnership. It outlines a program that can make housing, once again, a national priority -- and a priority issue for the 1988 presidential candidates.

As mayors, we are on the front lines of the nation's housing crisis. We see the disastrous consequences of federal housing cutbacks every day. These include a dramatic rise in homelessness, skyrocketing rents, and the inability of young families to purchase a home. During this decade, we have watched the American Dream turn into a nightmare.

There is, however, one bright spot in this otherwise bleak housing picture. During the 1980's, as Washington was dismantling federal housing programs, local governments assumed a greater responsibility for meeting the escalating demand for affordable housing. They developed many innovative programs, combining public and private resources, including forming partnerships with foundations, non-profit community-based groups, unions, religious organizations, and the private sector. These partnerships built and renovated thousands of housing units.

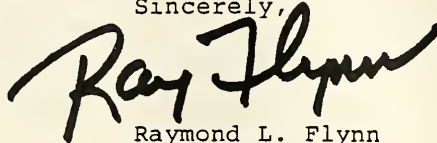
In Boston, for example, the Boston Housing Partnership -- an umbrella organization of government, private sector, and community leaders -- recently completed the renovation of 700 units of affordable housing. The success of the BHP led Governor Michael Dukakis to form the Massachusetts Housing Partnership, which is now helping cities expand housing opportunities across the state.

What is needed now is a partnership between the federal government and our cities, modeled on the successes we have created at the local level. There is, of course, no way that cities can, on their own, fill the huge gap created by the federal government's withdrawal from housing. Working together, however, the federal government and cities can help our nation fulfill the promise, first made by Congress in 1949, of a "decent home" for all Americans.

A Housing Agenda for America outlines a three-part program for a revitalized federal role in housing. It includes a National Housing Partnership program to expand affordable housing; a comprehensive approach to serving the homeless and the near-homeless population; and steps to protect the existing supply of subsidized housing that is at risk.

I look forward to discussing these and other issues with you.

Sincerely,

A handwritten signature in black ink, reading "Ray Flynn". The signature is fluid and cursive, with the first name "Ray" and last name "Flynn" clearly distinguishable.

Raymond L. Flynn
Mayor of Boston

A HOUSING AGENDA FOR AMERICA

A Federal-City Partnership

Raymond L. Flynn*

Introduction

Decent, affordable housing is the "American Dream." The task for the next President, and the next Congress, is to begin to fulfill the promise first made by Congress in 1949 of a "decent home" for all Americans.

In this policy report, I want to recommend three items that can form the basis of a new direction in federal housing policy.

During the past few years, the rising tide of homelessness has put the nation's housing crisis back on the front pages. The sight of Americans sleeping in alleyways and streets has piqued the country's conscience. It has led to a wide range of grassroots efforts -- by religious and other volunteer groups, as well as local governments -- to provide the homeless with shelter and food. In Boston, for example, we have almost doubled the number of emergency shelter beds in the past 3½ years. Surveys conducted by the U.S. Conference of Mayors Task Force on Hunger and Homelessness, which I have the honor to chair, reveal that cities and volunteer groups are stretching their limited resources to provide basic services for the homeless, but the need far surpasses available resources.¹

* Raymond L. Flynn, Mayor of Boston, is Chairman of the U.S. Conference of Mayors' Task Force on Hunger and Homelessness; a member of the National League of Cities' Election '88 Task Force; and a member of the Democratic Party Platform Committee.

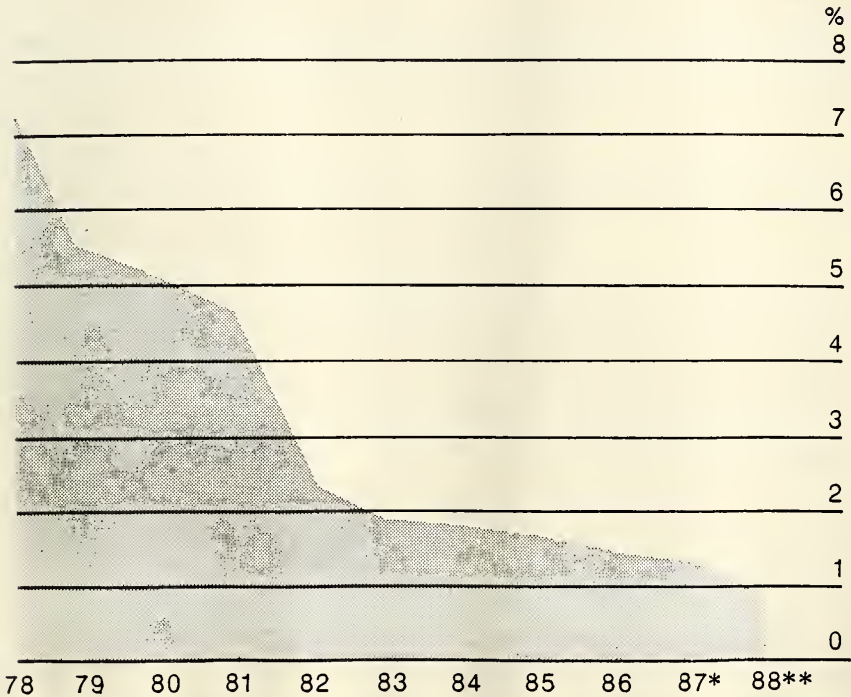
If the record numbers of people on America's streets had been driven there by a natural catastrophe, many states would be declared disaster areas. But even though homelessness is a national problem, the Reagan Administration has given only lip-service to the issue, and has taken no responsibility for its role in swelling the ranks of the homeless through its cutbacks and policies.

Homelessness is a symptom of a much deeper problem -- the nationwide shortage of affordable housing. This problem, in turn, is a direct result of the federal government's withdrawal from housing assistance.

Those of us on the front lines of the housing crisis see the impact of these cuts every day. We look at vacant buildings we want to rehab. We look at empty lots where we'd like to see new construction. We look at skyrocketing rents, which force families to choose between such basic necessities as heat, food, or medical care. We see energy bills that could be cut by weatherization programs. We look at long waiting lists for public and subsidized housing. And we look at homeless people in our streets, alleyways, and subways, and in our shelters, and see Americans who deserve decent, affordable, permanent housing.

In the late 1980's, however, housing is a growing concern among many sectors of our population. It is no longer simply a problem for the poor, but also for working-class and middle-class Americans. Because the housing crisis is widespread, we can now fashion a federal housing policy with broad appeal -- one that can help restore the "American Dream" and the promise of opportunity for all. Affordable housing must be a centerpiece of a new urban agenda.

BUDGET AUTHORITY OF HUD,
AS A PERCENTAGE OF THE TOTAL FEDERAL BUDGET, 1978-1988



Source: Budget of the United
States Government, Fiscal Year
1988.

* Estimated
** Proposed

Indeed, from the late 1940's through the late 1970's, the housing conditions for the American people steadily improved, thanks primarily to federal housing policies. During that period, the federal government was committed to improving the quantity, quality, and affordability of housing for all income and age groups. Homeownership rates increased steadily, reaching 65 percent in the 1970's. Low-income Americans were served with a variety of programs to boost subsidized rental housing. The quality of housing improved as well. During this period, the number of Americans living in substandard units declined significantly. Of course, there was always room for improvement. But in that three-decade period, America set high standards for itself, and put its talent and resources toward reaching the goal of decent, affordable housing for all.

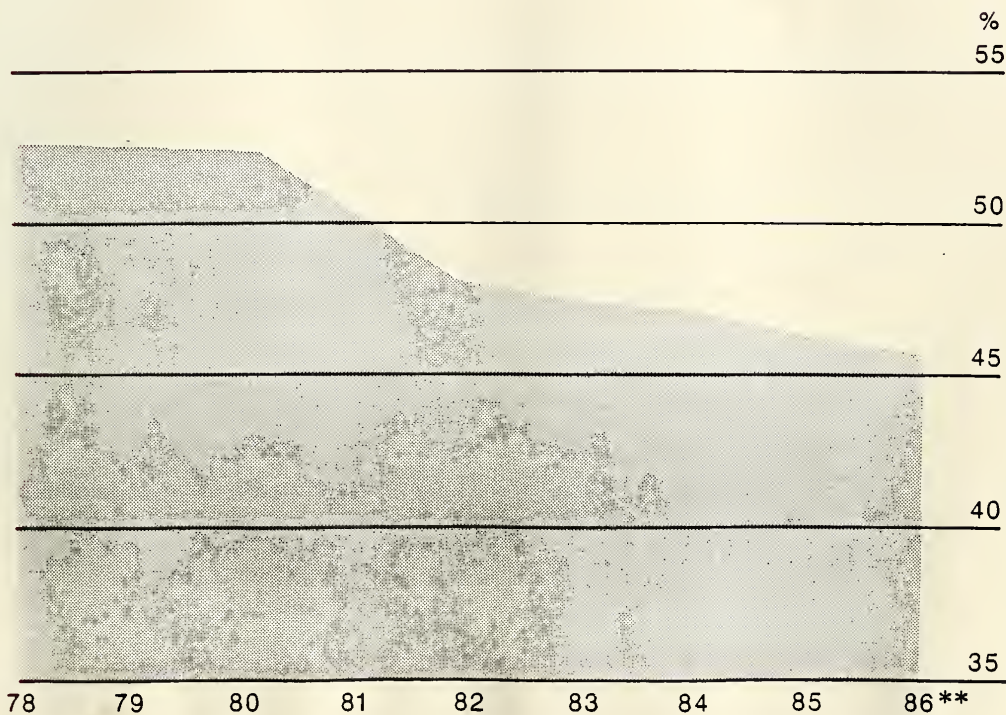
In this decade, however, Washington has transformed the American Dream into a nightmare.

Since 1981, the federal government has all but dismantled the nation's housing programs. The number of new federally-assisted units has plummeted from above 200,000 to about 25,000. HUD's housing programs have been severely cut, from over \$33 billion to under \$8 billion -- a 75 per cent cut.

The Impact of Federal Withdrawal

The consequences of the federal government's withdrawal from housing have been disastrous. We have seen a steady erosion in the quality-of-life in our communities. Americans have begun to lose confidence in the ability of our economy to "deliver the goods." The housing crisis has become the number one topic of conversation across the country. From posh suburbs to inner city neighborhoods, from City Halls to State Houses, from

HOMEOWNERSHIP RATE, 25-34 YEAR-OLD HOUSEHOLDS, 1978-1986



Source: U.S. Bureau of the Census

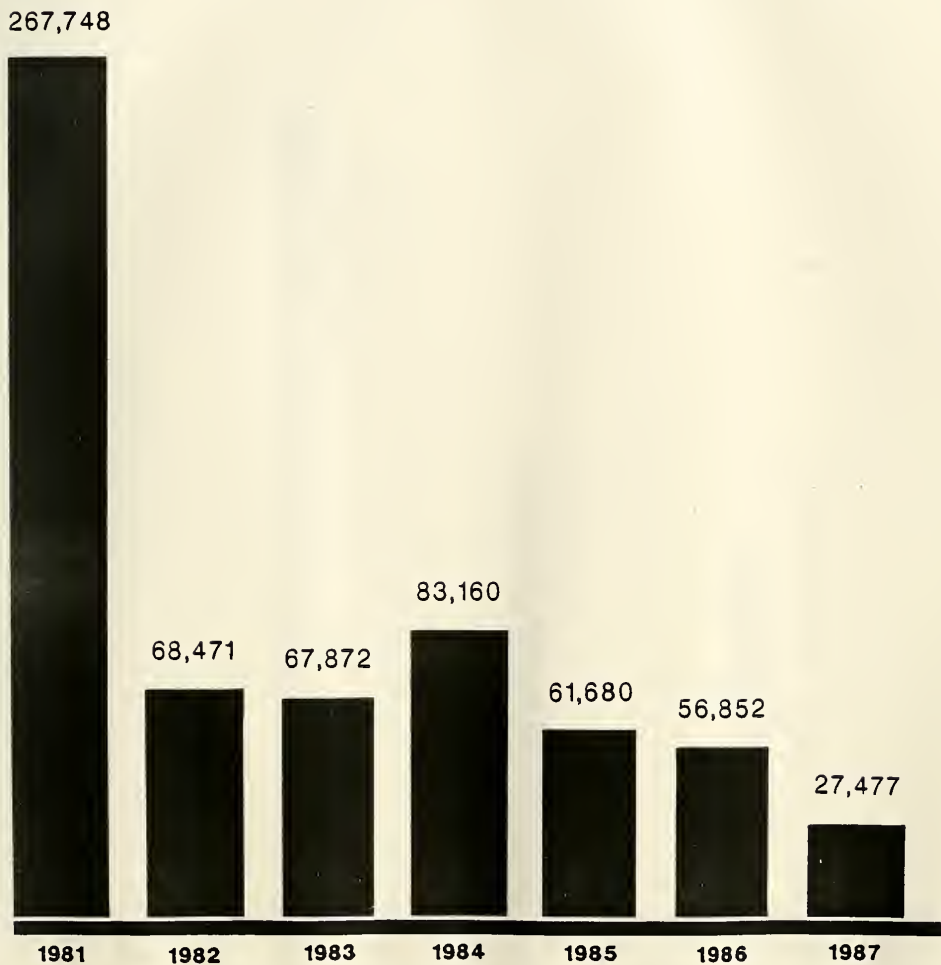
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corporate boardrooms to neighborhood bars, from young families to the elderly, the shortage of affordable housing is on everyone's mind.

Homeownership -- the symbol of the American Dream -- is increasingly beyond the reach of the American people. In 1949, the average 30-year old homebuyer needed to spend 14 per cent of his paycheck to afford the typical home. By 1985, the figure had risen to 44 percent. Since 1980, homeownership rates have fallen each year. For young families, in particular, this dream has become an illusion. The homeownership rate among 30-34 year olds, for example, declined from 59.3 percent in 1981 to 54.7 in 1985. A recent report by the Harvard-MIT Joint Center for Housing Studies warned that "young households feel thwarted by the high cost of homeownership and alarmed about their prospects of ever being able to buy."² According to American Demographics, the proportion of young adults living at home with their parents is higher now than at any time since the 1950s.³

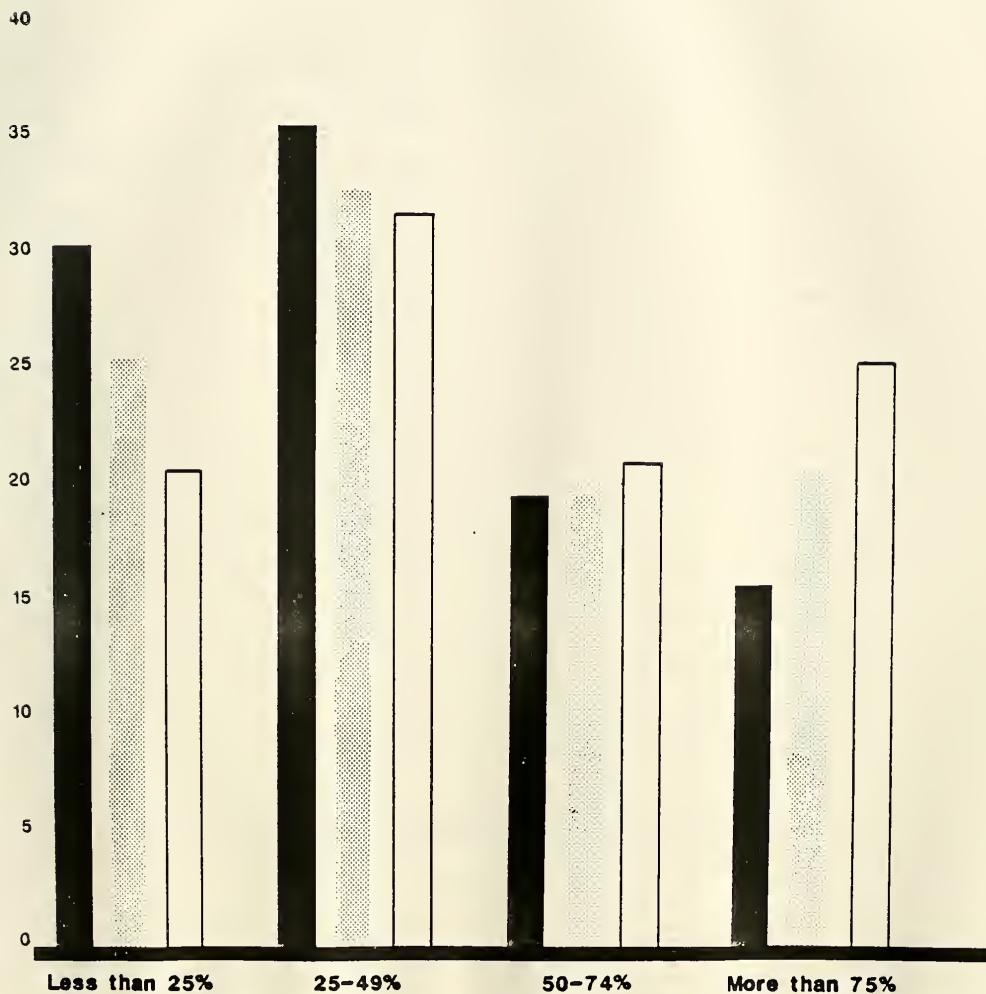
The rise in homeownership costs has pushed many households back into the rental market. Because of this growing demand, rents have skyrocketed, rising much faster than income. Renters are thus paying a growing portion of their income for rent. (The average rent burden grew from 20 to 29 percent of income between 1970 and 1983). This is particularly true for the poor, whose ranks are swelling nationwide, and who have the least discretion in allocating their limited incomes. According to the Harvard-MIT study, one-quarter of the poor pay over three-quarters of their income for rent. (The new tax law will make matters worse, by eliminating incentives to build new rental housing and by pushing current landlords to raise rents).

TOTAL HUD-ASSISTED HOUSING UNITS
FY 1981-87



PERCENTAGE DISTRIBUTION OF RENT BURDENS

Lowest Income Class



Percent of U.S. Homeownership by Age of Householder

Age	1981	1982	1983	1984	1985
Total	65.4	64.8	64.6	64.5	64.1
Less than 25	20.7	19.3	18.8	17.9	17.4
25-29	41.7	38.6	38.3	38.6	37.7
30-34	59.3	57.1	55.4	54.8	54.7
35-39	68.9	67.6	66.5	66.1	65.7
40-44	73.7	73.0	72.8	72.3	71.8
45-49	76.2	76.0	75.2	74.6	74.9
50-54	78.3	78.8	78.8	78.4	77.4
55-59	80.0	80.0	80.1	80.1	79.1
60-64	80.0	80.1	79.7	79.9	79.6
65-69	77.6	78.0	78.7	79.3	79.4
70-74	75.4	75.2	75.3	75.5	76.7
75 or more	69.8	71.0	71.9	71.5	70.4

SOURCE: *Economic News Notes*, National Association of Home Builders, January, 1986

A Rise in Homelessness

The most serious consequence of this housing crisis is the rise in homelessness. The latest 25-city survey, released in December, 1986 by the U.S. Conference of Mayors, found an increasing demand for emergency shelter across the country. Perhaps the most tragic finding was the growing proportion of families and children among the nation's homeless population.⁴ A follow-up survey of 29 cities, released in May 1987 found that the number of families seeking emergency shelter had increased by 31 per cent in two years. Every survey city reported that the number of families temporarily living with friends or relatives has increased.⁵

This epidemic of homelessness in our affluent society is a national scandal.

The housing crisis is also a problem for American business and the overall economy. High housing costs make it difficult for employers to attract employees. The chief economist for the Port Authority of New York and New Jersey recently told the New York Times: "Companies are not going to expand here when their employees can't afford homes."⁶ The business community needs to become a more vocal advocate for affordable housing.

The Search for Solutions

During the 1980's, as the Reagan Administration dismantled federal housing programs, state and local governments assumed a greater responsibility for dealing with the escalating demand for affordable housing. Out of necessity, they developed many innovative programs, combining public and private initiatives, including forming partnerships with foundations and community-based

organizations.⁷ Of course, there is no way that cities and states can fill the huge gap created by the federal government's withdrawal from housing. Only the federal government has the resources to meet this basic need. But many of the creative efforts of local governments can provide models for federal programs in the future. What is needed now is a partnership between the federal government and our cities, with the federal government providing the resources and the localities providing the initiative and talent.

In housing, the problem is not to get the federal government off our backs. It is to get federal dollars back in our communities. We need to create a broad, bi-partisan coalition to support an expanded federal role in housing.

The Massachusetts experience suggests that it is possible to create a political climate that strongly supports housing. There is a broad constituency for affordable housing -- led by Governor Michael Dukakis, and including the state legislature, mayors, private developers, CDCs, unions, religious organizations, tenant groups, and neighborhood associations. The state's business community understands that to attract employees and to sustain economic growth, we need affordable housing. Business leaders have helped to create the Boston Housing Partnership, and, then, the Massachusetts Housing Partnership -- both umbrella organizations of private sector, government, and community leaders that have played key roles in expanding housing opportunities for low- and moderate-income people.

New Directions: A Three-Part Approach

What should federal housing policy look like in the "post-Reagan" period and through the end of this century?

A three-pronged approach is necessary:

- o First, emergency shelter and services for our most vulnerable citizens -- the homeless and near-homeless
- o Second, preservation of our existing subsidized housing inventory, and
- o Third, a major supply program to build affordable housing, based primarily on non-profit developers.

(1) Emergency Shelter and Services

As a nation, our first priority must be to help our most vulnerable citizens. In the 1980's, as I noted earlier, we have witnessed an increase in the ranks of poor, particularly among women and children. Almost one-quarter of children under the age of six live in poverty. In general, about one out of seven Americans lives below the poverty threshold. Structural changes in the nation's economy have increased the number of low-wage jobs and "working poor," people whose salary is below the poverty line.

Federal cutbacks have cut huge holes in the so-called "safety net," leaving more and more Americans vulnerable and needy. For example, job training programs have been slashed from \$11.5 billion in FY 1981 to \$2.4 billion in FY 1986. Further, with the growing vulnerability of Americans to lay-offs and temporary (but often calamitous) poverty, last year the percentage of unemployed persons receiving unemployment insurance benefits hit a record low; it is now only about half what it was in 1980, when the unemployment rate was about the same level as today.⁸

The homeless are those who have suffered most from the widening holes in the "safety net." The cumulative effect of federal cutbacks and reductions is the tragedy of growing homelessness and hunger in this wealthy nation.

America's homeless population comprises poor persons who, for a variety of reasons, cannot afford a permanent roof over their heads. A growing number include families, particularly children, who must live the rest of their lives with the emotional scars and physical problems created today by America's failure to provide decent food and housing.

In addition, a substantial segment of America's homeless are mentally ill persons. They are victims of the policy of "deinstitutionalization," begun in the 1960's, which emptied our nation's mental hospitals without providing adequate resources for community-based facilities. Nationwide, the number of persons institutionalized in mental hospitals declined from 505,000 in 1963 to 138,000 in 1980. The nation's homeless shelters are often filled with these mentally ill persons. For example, at the Pine Street Inn, Boston's largest shelter, between 50 and 60 per cent of the guests on any given night suffer from mental illness. Many shelters have become, de facto, America's new mental institutions.

The most frustrating aspect of homelessness is that Americans have the will to address this most basic human need. Cities around the country are working with individuals and organizations who are giving their hearts and souls to others in need. I have been privileged to work with advocates such as Mitch Snyder of the Community for Creative Non-Violence, and Robert Hayes of the National Coalition for the Homeless, as well as many staff and volunteers in Boston's shelters and soup

kitchens, who reflect the many caring people who give us hope for the American spirit.

We must give these people the resources they need to help the homeless. Private charity and local government cannot, on their own, provide these resources.

Repairing the Safety Net

Our immediate response must be to restore the "safety net" for these vulnerable Americans. The 100th Congress has an unprecedented opportunity to provide this emergency assistance. Two important pieces of legislation, now before Congress, suggest that there is a new spirit of compassion developing in Washington. Enacting these two bills would be telling confirmation of this spirit.

In March 1987 the U.S. House of Representatives passed a \$425 million "Urgent Relief for the Homeless" Act, sponsored on a bi-partisan basis. House Speaker Jim Wright carried through on his pledge to "fast track" the legislation. The Senate should agree to pass similar legislation with adequate funding. The bill, which will expand emergency shelter, food, and health care for the homeless, is a vital first step. It will help cities like Boston -- which are stretching their limited resources, working with non-profit groups and foundations -- to add shelter beds, soup kitchens, rent subsidies, mental health and health programs for those who live in the streets and in the shelters. Its swift passage would be a fitting tribute to its co-sponsor, the late Representative Stewart McKinney, (R-Conn.), who died in April 1987.

In addition, Senators Albert Gore (D-Tenn.) and Daniel P. Moynihan (D-N.Y.) filed the "Homeless Persons Survival Act." Working closely with the National Coalition for

the Homeless, Senators Gore and Moynihan [with Representatives Mickey Leland (D-Tex.) and Leon Ponetta (D-Cal.)] drafted a bill targeted at \$4 billion, that would provide housing, food and social service benefits needed to serve the many faces of homelessness.

In the FY 1987 budget, Congress approved \$5 million to help cities create transitional housing for women and children. Transitional housing is designed to help women get back on their feet and become independent, following a family tragedy -- a divorce, an abusive domestic situation, widowhood, job loss, or eviction. It is a self-help approach that provides the support needed in order to live independently. It is an opportunity to leave a shelter and prepare for independent living. In Boston, we have worked closely with women's groups and social service providers to create transitional housing programs. What is needed is more resources. An emergency bill, now pending before Congress (June 1987), contains another \$30 million nationally for this program.

It is critical to expand resources to assist the homeless. The ultimate goal, however, is to eliminate the problem of homelessness altogether. The major tool toward achieving that goal is to protect and expand permanent affordable housing.

(2) Protecting Existing Housing

The most valuable housing resource in the nation is the existing inventory of public and subsidized housing. During the past 40 years, the federal government has helped construct more than 3 million units of low-income rental housing. This includes approximately 1.3 million units of public housing and about 2 million units of private assisted housing.

The American public has a substantial investment in this housing inventory. There is absolutely no way to replace these units if they are lost as low-income housing; it is much more cost-effective to preserve this inventory than to build another 3½ million low-income housing units. In addition, the social cost of losing these units -- the displacement of families, the public funding to serve the families made homeless, the jump in welfare, and related public dollars -- would be overwhelming. The federal government should protect the public's investment.

We cannot allow HUD to become simply an auctioneer at a garage sale.

Toward this end, the Reagan Administration and Congress should abandon all plans to sell off public housing. A HUD-sponsored "demonstration project" is currently underway. Only a handful of public housing agencies even volunteered for the program. They recognized it as simply an effort to rid the federal government of its commitment to support public housing -- in effect, to balance the federal budget on the backs of the poor. Allowing tenant groups the opportunity to participate in management is a useful concept. But selling low-income public housing to tenants -- without safeguards against "windfall" profits or any attempt to replace these scarce units -- is a flagrant misuse of public dollars.⁹

What makes more sense is to encourage tenant self-help and long-term affordability. To do this, HUD could help public housing tenants to transform their developments into resident-owned and managed limited-equity co-operatives. To make this feasible, HUD would have to provide tenants with the downpayment, to provide ongoing operating subsidies, and to provide technical assistance to help tenant groups develop management skills. For the rest of the public housing stock, Congress must provide

resources to guarantee these residents safe, decent housing and -- through a variety of anti-poverty programs -- opportunities to lift themselves out of poverty.

Subsidized Housing At Risk

A more pressing issue is the fate of the 1.9 million private, government-assisted housing units across the nation. This inventory is a ticking time-bomb, waiting to explode. Recent GAO reports revealed that these developments face two related crises: first, project-based subsidies (primarily Section 8) are scheduled to expire; second, 20-year use restrictions (which allow owners to opt out of their pledge to guarantee low/moderate income housing by prepaying the mortgage) are scheduled to expire.¹⁰ When this occurs, these low-income units could be turned into market-rate housing or (in weak markets) go bankrupt. Either way, tenants would be displaced and pushed into a tight housing market. Between now and the year 2000, most of the 1.9 million assisted units will be "at risk" as their subsidies and/or use-restrictions expire. Between 200,000 and 900,000 units may be lost by 1995 alone.

Now is the time to plan for this inevitable situation. Policies must be devised to preserve these developments as affordable housing. Owners must be encouraged not to prepay mortgages, while funds must be allocated to continue the subsidies. The most cost-effective use of federal funds, however, would be to assist non-profit groups and resident-owned co-operatives to purchase and manage this inventory, rather than simply pour more federal subsidy dollars into filling the gap between what tenants can afford and the rents needed for absentee, private, landlords to make a profit.

In Boston, we have had successful experiences transforming "at risk" HUD-subsidized projects into

co-operative and non-profit housing. HUD, in fact, has occasionally seen the wisdom of this cost-effective approach by allowing residents to use their rent subsidies as equity for co-operatives, and by allowing non-profit groups, through the Boston Housing Partnership, to buy distressed projects, rather than selling them off to the highest bidders. This approach saves taxpayers dollars, gives residents a greater "stake" in their homes, and guarantees the long-term presentation of affordable housing by removing it from the speculative market.

Congress must create incentives for current owners to either retain these units as low-income housing or sell them to non-profit groups and tenant co-operatives. Congress should appoint a task force -- with representatives of tenants, private owners, non-profit groups, and local, state, and federal government -- to develop a workable approach to protect this inventory. In the meantime, Congress should place a moratorium on prepayments -- or at least require owners to give substantial prior notice of their intent to prepay -- in order to provide time to find solutions that will preserve this low-income housing.

We must not allow this ticking time bomb to explode. If it does, the victims will be millions of low-income Americans, their neighbors, and the cities they live in.

(3) The New Partnership: A Community-Based Supply Program

We are a nation of builders and dreamers. To maintain our country's greatness, to expand opportunities for all, we must continue this legacy. We must build more housing to sustain the American Dream.

We continue to suffer from a shortage of affordable housing. We see this not only in the expanding waiting lists across the country for public housing, and not only in the many housing "vouchers" that go unused because of a tight private rental market, but also in the growing demand for moderate-income homeownership. In Boston, for example, the Bricklayers' and Laborers' Union recently constructed 17 brick townhouses in South Boston and sold them, at cost, for \$70,000 -- less than half the market value; more than 200 persons applied for these units, which were sold by lottery. The Bricklayers have just started construction on another 48 units in Charlestown; already, more than 1,700 families have applied. The story is the same elsewhere -- for example, the long wait to buy a Nehemiah program home in Brooklyn.

To meet this demand, we must expand the supply of housing, both rental and homeownership, for both low-income and moderate-income persons. An ambitious supply program will not only help satisfy this demand, it will also create many new jobs, help rebuild our communities, and restore confidence in our country's promise of opportunity.

The question is not whether to embark on a new supply program, but how to do so.

Fortunately, much can be learned from the recent efforts of local governments and community groups who -- during these lean years of federal cutbacks -- have found creative ways to build affordable housing. Across the country, the 1980's was a period of renewed local initiative. In particular, many cities and states nurtured community-based, non-profit housing developers, who helped rebuild neighborhoods that the federal government and for-profit developers had ignored or abandoned.

These grassroots efforts -- by churches, neighborhood groups, unions, and others -- planted many seeds. Local and national foundations, along with local government, provided financial support to help these seeds grow. The Local Initiative Support Corporation (LISC), launched by the Ford Foundation, and the Enterprise Foundation, headed by developer James Rouse, have worked closely with these non-profit groups to develop new construction, rehab, and financing techniques. In Brooklyn, a coalition of churches launched the Nehemiah Program (named after the Biblical figure who rebuilt Jerusalem), which is rebuilding a blighted neighborhood with low-cost housing for working class homeowners. The churches provided interest-free construction loans, got the City to donate 30 blocks of vacant land and each buyer with a \$10,000 interest-free second mortgage, and the state provided below-market mortgages from a tax-exempt bond.

Across the country, these non-profit, community-based efforts have now born fruit. Thousands of units of affordable housing -- sold at or below construction costs -- are now in place that would not have been there without these initiatives. These groups have become sophisticated developers -- a vast improvement over some well-intentioned but naive non-profit groups that emerged in the 1960's. This generation of non-profit builders combine social concern with hardnosed business skills.

Some cities have formed umbrella organizations of community-based non-profit developers to improve efficiency and expand the scale of development. The Boston Housing Partnership (BHP) is the acknowledged leader of this approach. The BHP is a consortium of private, community, and government leaders, whose board includes the heads of major banks, the directors of non-profit Community Development Corporations (CDCs), and top government officials. The city government provided \$4.1 million

in CDBG funds¹¹ and the private foundations contributed \$430,000 for initial seed capital and acquisition; the state provided financing and rent subsidies. Through BHP, ten non-profit groups have renovated 700 units of low-income rental housing -- a \$38 million project. The BHP is so successful that a consortium of local and national foundations, including LISC and the United Way (which is supporting housing for the first time) has committed \$4 million for a six-year support program. The BHP's next project is the rehabilitation of 950 apartments in HUD-owned buildings, saved from HUD's auction block by community pressure.

New York City, Chicago, Cleveland and other cities are developing similar partnerships.

These efforts are working well. But local governments, churches, and foundations simply lack the resources to turn these small success stories into a major new nationwide supply program for affordable housing. Only the federal government has those kind of resources. It is now time for Washington to learn the lessons from these local efforts. What is needed is a partnership between the federal government and these community-based housing efforts.

The mechanism for realizing this goal is a National Housing Partnership program. Through this program, the federal government would provide matching funds to locally-based non-profit housing initiatives. Federal dollars would be matched by local government, business, private foundations, the United Way, churches, or other entities. Matching grants are a good way to encourage local efforts by helping those communities that help themselves. It is the best way to leverage federal funds.

First, the program would provide federal matching grants for seed money. This would enable local non-profit housing partnerships to start, or expand, their development efforts. The grants would provide these groups with up-front funds for staff (to do planning, architectural work, put financing together) as well as to acquire abandoned buildings for rehab or vacant lots for new construction.

Second, the federal funds would provide capital grants to community-based partnerships for the construction of housing. Direct capital grants are much more cost-effective than the current approach. It reduces the long-term debt that escalates the cost of housing far beyond construction costs.

Ironically, the Department of Defense, which uses this approach to house military families, has a lot to teach us about housing development. Over the years, the military has constructed 400,000 units of family housing. It is financed and operated for the most part by direct capital grants appropriated by Congress -- eliminating both the debt burden and the speculative resale that drives up the cost of conventional private housing.

Who can turn down an idea that draws on both local CDCs and the Pentagon for its inspiration?

Housing is expensive to build, especially for low- and moderate-income people. But Congress need not carry the stigma of simply "throwing money" at problems. A National Housing Partnership program is a viable, cost-effective alternative to some of the wasteful federal programs of the past and the "do-nothing" approach of the present. By learning from the successes of grassroots initiatives, the federal government can chart a bold new course in housing policy.

Making Housing a Priority

This three-pronged approach to solving our deepening housing crisis -- emergency shelter and services for the homeless, preserving the existing inventory of assisted housing, and creating a supply program linking federal dollars to community-based partnerships -- provides an opportunity to place housing at the top of our nation's agenda once again. There is, across the country, a growing awareness that while there is much to learn from the mistakes of past federal housing programs, the answer is not simply to completely withdraw from housing. We need a new direction, one that will address the housing needs of our citizens, but do so in a way that is cost-effective, flexible, and sensitive to local approaches. Equally important, it should target resources to those who need it most -- low- and moderate-income Americans.

Government must play a leadership role in expanding housing opportunities for all Americans. In housing, there is no such thing as a completely private "free market." The private housing industry is aided by a wide (but often invisible) array of government supports -- from tax deductions for builders and buyers, to insurance for lenders, to secondary market mechanisms. This support system is an essential component of our private housing market, and is responsible for the considerable housing progress our nation made during the three-decade post-WW2 period.

The federal government must extend, not reverse, this progress to those who need it most by providing funds to build and preserve housing for low- and moderate-income Americans. It must do so in partnership with local and state governments who have demonstrated their capacity

to create innovative approaches to housing, but lack the resources to meet the needs.

We still have a way to go to fulfill that promise, first made in 1949, of a "decent home" for all Americans. We should not stop our efforts until we have succeeded.

SUMMARY OF RECOMMENDATIONS

Homelessness

1. Enactment of "Urgent Relief for the Homeless" bill at a funding level of at least \$425 million.
2. Enactment of "Homeless Persons Survival Act."

Preservation of Subsidized Housing

1. A moratorium on, or substantial prior notice before, the prepayment of HUD-financed mortgages.
2. Creation of an incentive program for preservation of subsidized housing, particularly through tenant cooperatives and non-profit sponsors.
3. Adequate funding for local public housing authorities to provide decent, safe, affordable housing and social services to residents.

Expansion of Affordable Housing

1. Enactment of a National Housing Partnership Act to provide federal matching grants to local governments and non-profit groups to develop low- and moderate-income housing.

FOOTNOTES

- 1 U.S. Conference of Mayors, Responding to Homelessness in America's Cities, Washington, D. C., June, 1986; U.S. Conference of Mayors, The Continued Growth of Hunger, Homelessness and Poverty in America's Cities, Washington, D. C., December, 1986.
- 2 H. James Brown and John Yinger, "Homeownership and Housing Affordability in the United States: 1963-1985," Joint Center for Housing Studies of the Massachusetts Institute of Technology and Harvard University, 1986.
- 3 Martha Riche, "Mysterious Young Adults." American Demographics, February 1987.
- 4 U.S. Conference of Mayors, The Continued Growth of Hunger, Homelessness and Poverty in America's Cities, Washington, D.C., December, 1986.
- 5 U.S. Conference of Mayors, A Status Report on Homeless Families in America's Cities, May, 1987.
- 6 Thomas J. Lueck, "Region's Growth Tied to Housing and Training." New York Times, March 5, 1987.
- 7 A compendium of state/local housing initiatives can be found in the following: James Pickman, et. al., PRODUCING LOWER INCOME HOUSING: LOCAL INITIATIVES, Washington, D.C.: Bureau of National Affairs, 1986; Mary K. Nenno, NEW MONEY & NEW METHODS: A CATALOG OF STATE AND LOCAL INITIATIVES IN HOUSING AND COMMUNITY DEVELOPMENT, Washington, D.C.: National Association of Housing and Redevelopment Officials, 1986; John Sidor, STATE HOUSING INITIATIVES: A COMPENDIUM, Washington, D.C., Council of State Community Affairs Agencies, 1986; DECENT AND AFFORDABLE HOUSING FOR

ALL: A CHALLENGE TO THE STATES, Washington, D.C., National Governor's Association, 1986.

- 8 Center on Budget and Policy Priorities, Smaller Slices of the Pie: The Growing Economic Vulnerability of Poor and Moderate Income Americans, Washington, D. C., November, 1985.
- 9 Hilary Silver, Judith McDonald, and Ronald J. Ortiz, "Selling Public Housing: The Methods and Motivations," Journal of Housing, November/December 1985; Peter Dreier, "Public Housing For Sale," New Republic, August 4, 1986; Morton J. Schussheim, "Selling Public Housing To Tenants: How Feasible," Washington, D. C., Congressional Research Service, December, 1984. E. Jay Howenstine, "Selling Public Housing to Individuals and Cooperatives: Lessons from Foreign Experience," Urban Law and Policy, 7, 1983.
- 10 "Rental Housing: Potential Reduction in the Privately Owned and Federally Assisted Inventory," U.S. General Accounting Office, June 1986; and "Rental Housing: Potential Reduction in the Section 8 Existing and Voucher Inventory," U.S. General Accounting Office, October 1986.
- 11 This is a good example of the importance of federal CDBG funds. The Community Development Block Grant program provides flexible funds to help cities address their diverse housing, economic development, and human service needs. CDBG funds have been a major victim of Reagan's budget cuts. Instead, the program should be expanded in funding and scope.





